

EXECUTIVE SUMMARY

OVERVIEW

Title III of the Job Training Partnership Act of 1982 (JTPA) authorized states to establish employment and training programs for dislocated workers -- skilled, experienced workers who, upon layoff from their job, are likely to have trouble finding a comparable new job because of weak demand for their skills in their local labor market. This study evaluates the net impacts of one such Title III program -- the Metropolitan Re-Employment Project (MRP) of St. Louis, Missouri -- on the employment and earnings of its program participants.

More specifically, the purposes of the study are three fold:

To estimate the net impacts of a selected JTPA Title III program on participants' subsequent earnings, receipt of unemployment insurance (UI) benefits, and reemployment.

To differentiate these impacts by the types of services which program participants received, ranging from basic job-search assistance to classroom and on-the-job training.

To estimate how these program impacts vary over time.

The analysis compared outcomes for a treatment group comprised of the 1,195 clients served at MRP during program year 1987 with those for a comparison group comprised of 1,114 randomly selected St. Louis area residents who filed for unemployment insurance (UI) claims over a comparable period, but who did not receive MRP services. The primary source for data on these sample members' characteristics and their employment and earnings was state UI records, supplemented by telephone interviews conducted by Abt Associates Inc. and MRP program records.

Previous evaluations of dislocated worker programs leave several policy questions unanswered. The current evaluation, combined with the results of previous studies, will enhance policymakers' understanding of the potential net impacts of programs designed to increase earnings, reduce receipt of UI benefits, and improve reemployment prospects of dislocated workers. Like previous dislocated worker studies, the current study employed a relatively short analysis follow-up period (approximately eight quarters following initial UI claim). This study, however, makes an effort to overcome the relatively short analysis period by developing and analyzing alternative time frame specifications of the data. The significance of these alternative time frames is not that they provide different conclusions about the impact of dislocated worker programs than the other studies, but rather, that they enhance our understanding of the timing of program impacts.

TIME FRAME SPECIFICATION

In analyzing the net impact of dislocated worker programs, one must recognize that some program participants may spend months in training during a period when comparison group members may have sought and found a job. The employment and earning patterns of treatment and comparison group members will, therefore, differ with program participants likely to exhibit longer initial unemployment spells and lower initial earning levels than comparison group members. In other words, if a training program has a positive effect on its participants' later employment and earnings, that effect is not likely to appear immediately upon exit from the program.

This study attempted to estimate the longer term effects of MRP participation on clients' subsequent employment and earnings through three alternative specifications of the time frame for the analysis, each based on a different starting point:

the date of the initial UI claim (the claim-referenced time frame);

the date of exit from the MRP program (the program-referenced time frame); and

the approximate date of reemployment (reemployment-referenced time frame).

The claim-referenced time frame has often been used in evaluations of program impacts; the other two specifications were developed for this study.

In the claim-referenced time frame, employment and earnings outcomes are measured for each sample member in a series of quarters starting with the first full calendar quarter following his or her initial UI claim date. The advantage of this approach is that it measures impacts as soon as they may start taking effect; its disadvantage is that it does not account for differences resulting from the fact that some treatment group members are not employed because they are engaged in training.

In the program-referenced time frame, outcomes are measured for each sample member over three stages. The first, the pre-program period, is defined for both MRP and comparison group members, as the period prior to the initial UI claim. The second stage, the in-program period, is defined for MRP members as the period between the initial UI claim date and the MRP program termination date, and for comparison group members (who obviously did not have an MRP termination date) as the period between the initial UI claim and a date approximating each members' likely termination date from the program had he or she entered the program. The third stage is the post-program period, defined as the period after exit from MRP for each MRP group member, and as the period after the approximated exit date for each comparison group member. The advantage of the program-referenced approach is that it

explicitly identifies both the point of entry into the program and the point of exit from the program; it does not, however, allow us to differentiate program impacts from the point of reemployment.

In the reemployment-referenced time frame, employment and earnings outcomes are measured for each MRP group member in a series of quarters starting with the first quarter following exit from the program (since most MRP participants were or became employed upon their exit). For comparison group members the reemployment point was approximated as the first full quarter without UI activity. The advantage of this approach is that it captures earnings for both groups starting with the point at which members of each group were likely to begin receiving earnings.

THE IMPACT MODEL

The model developed to evaluate the MRP program (see Chapter 5) attempted to isolate program impacts on earnings from those on employment. Both the earnings and employment regressions were calculated under all three of the time frame specifications outlined above. The model controlled for differences between MRP and comparison group members by including such observable characteristics as gender, age, and ethnicity; to control for potential unobservable differences, it included prior earnings (i.e., earnings in the quarter before the initial UI claim). To isolate the effect of the type of MRP service received, the model incorporated six program service variables:

MRP member but not enrolled in JTPA:

received job-placement services only;

received job-placement services and job-search assistance only;

received on-the-job training only;

received classroom training and other services;

received some other mix of services.

Finally, to investigate the impact of timing in the provision of program services, the model included a variable that measured the time elapsed between the initial UI claim and MRP entry and another variable that measured the length of time enrolled in the program.

IMPACT ON EARNINGS

Using the claim-referenced time frame, we found substantial differences in program impacts on earnings over time (see Chapter 6). Over the first four quarters (following the initial **UI** claim), **MRP** group members as a whole had average earnings \$944 **less** than those of the comparison group. Over the next four quarters, **MRP** group members as a whole earned on average \$2,028 **more** than comparison group members. These results reinforce the importance of the length of the follow-up period in evaluations of dislocated worker programs. Measured over a one-year period, the results indicate a negative program impact on earnings. Measured over a longer period, the impact is strongly reversed.

The findings under the program-referenced time frame present a somewhat different picture, however. During the first year after exit from the program, **MRP** program impacts in general are positive. However, those **MRP** members not enrolled in **JTPA** and those receiving placement services and job-search assistance only experienced negative earnings impacts. A more detailed analysis of quarterly earnings during the first year after exit from the program reveals inconsistent quarterly earnings impacts.

The findings under the reemployment-referenced time frame analysis, yielded results for the first year (after the approximate reemployment point) that were similar to the results obtained using the program-referenced time frame; that is, **MRP** program impacts were in general positive (except for those **MRP** members not enrolled in **JTPA** and those receiving placement services and job-search assistance only). The largest positive impacts were found for those **MRP** members receiving the most intensive services (on-the-job training and classroom training). Holding other factors constant, those receiving classroom training earned \$4,137 more than comparison group members in the year following program exit; those receiving on-the-job training experienced a greater program impact -- \$6,043 for the year following program exit.

The quarterly results obtained under the reemployment-referenced approach, however, were quite different from the results obtained using the program-referenced time frame. Unlike the inconsistent impacts found above, each of the six service categories examined under the reemployment-referenced approach revealed a time pattern of program impacts. Some categories started off with negative earnings impacts in early quarters, becoming positive and increasing in later quarters (e.g., placement services only, placement and job-search assistance, and other services). Other categories had a positive and generally increasing impact over time (classroom training and on-the-job training). Only a single category -- **MRP** members not enrolled in **JTPA** -- experienced consistently negative earnings impacts in the four quarters following reemployment.

All told, impact results derived from program-referenced and reemployment-referenced specifications reinforce the results obtained using the claim-referenced specification. The **significance** of the two alternative time frames, however, lies in the information they provide about the timing and **trend** of program impacts, supplying policymakers with an indication of the potential program impacts over the longer run.

Since early intervention is an important feature of the recently passed EDWAA program, we incorporated into our regression analyses indicators of the impact of early intervention. Specifically, we incorporated into the regressions a measure of elapsed time between **UI** claim and MRP entry as well as a measure of the length of time in the MRP program. The results indicated that the longer the elapsed time between **UI claim** and MRP entry, the lower were subsequent earnings; also, the longer the **MRP** in-program period, the lower were subsequent earnings. While these results are suggestive, caution should be exercised in reaching conclusions about the importance of early intervention. Such caution is warranted due to the potential for selectivity-bias to effect the results.

IMPACT ON UI BENEFITS RECEIPT

An analysis of receipt of **UI** benefits indicated that, during the **first** year following the initial **UI** claim, MRP group members collected more benefits than comparison group members (see Chapter 7). Among MRP group members over the same time period, those who received classroom **training** combined with other services collected substantially more in benefits than any other subgroup; specifically, holding other factors constant, this subgroup collected on average \$2,154 more than the comparison group (over the year following the initial **UI** claim). Other **MRP** participant subgroups collected between \$90 and \$549 more in **UI** benefits than the comparison group over this period. One exception to this pattern was found for the subgroup receiving on-the-job training; this subgroup collected \$267 less in **UI** benefits than the comparison group over the same period. Measured over the second year following initial claim, these impacts are reversed -- MRP participants in all categories collected less in **UI** benefits than comparison group members.

The finding that the MRP group collected higher **UI** benefits during the first year following initial **UI** claim suggests that program participation may have delayed reemployment for MRP participants relative to the comparison group. On the other hand, the finding that the MRP group collected lower **UI** benefits during the second year suggests that MRP participants may have experienced greater long-term employment stability relative to the comparison group.

IMPACT ON REEMPLOYMENT

Survey data, collected approximately 21 months following the initial UI claim date, were used to analyze program impacts on reemployment. These survey data provided information on employment periods of MRP and comparison group members. Using these data, we constructed a measure of the proportion of the follow-up period not employed for each group member that was surveyed. Analysis of this measure indicated that, on average, those MRP members assigned to on-the-job training experienced a substantially lower proportion of the follow-up period without employment than comparison group members. On the other hand, those assigned to classroom training experienced a higher proportion of time without employment. Other service categories were similar to the comparison group in the proportion of time without employment.

CONCLUSION

In this study, we evaluated the Metropolitan Re-Employment Project and estimated its net impact on participants' earnings, receipt of UI benefits, and reemployment. While this net impact evaluation, based on a single site, cannot provide policymakers with national impact estimates of Title III programs, it can provide important information on program operations and impacts.

Previous studies of dislocated worker programs have used a variety of study designs, analysis techniques, and time frames. A common feature of all of these studies, however, is their relatively short analysis follow-up period. Partly as a result of the relatively short follow-up periods, previous studies have yielded conflicting and inconclusive results on the impact of training programs on dislocated workers. Some studies found that training had a positive effect on employment and earnings, while other studies found the reverse.

In this study, we make an effort to overcome a relatively short analysis period by developing and analyzing alternative time frame specifications of the data. It is hoped that the methodology developed in this study will provide a framework and an impetus for further refinements in the evaluation of dislocated worker programs.